

SENATE RECORD VOTE ANALYSIS

105th Congress
1st Session

Vote No. 92

May 23, 1997, 12:08 pm
Page S-5054 Temp. Record

BUDGET RESOLUTION/Final Passage

SUBJECT: House Concurrent Budget Resolution for fiscal years 1998-2002 . . . H.Con. Res. 84.

ACTION: CONCURRENT RESOLUTION AGREED TO, 78-22

SYNOPSIS: As amended and passed, H.Con. Res. 84, the House Concurrent Budget Resolution for fiscal years 1998-2002, will balance the Federal budget in fiscal year (FY) 2002 by slowing the overall rate of growth in spending over the next 5 years to below the rate of growth in revenue collections (the Congressional Budget Office (CBO) recently revised upwards its 5-year revenue estimate by \$225 billion). Federal spending as a percentage of Gross Domestic Product (GDP) will fall to 18.9 percent in 2002, which will mark the first time since 1974 that it has been below 20 percent. No changes will be made to the Social Security Program. A total of \$31.2 billion in mandatory spending over 5 years will be provided to fund presidential initiatives. An assumption is made that the Bureau of Labor Statistics will make a .3 percent adjustment to the Consumer Price Index. Absent this resolution and any changes to current spending, total spending would be \$300 billion greater over 5 years and \$1.2 trillion greater over 10 years. Total outlays over the next 5 years will be approximately \$200 billion greater than the amount assumed in last year's resolution. This resolution is based on a budget compromise reached between the President and congressional Republican and Democratic leaders.

		(in billions)		
Fiscal Year	Revenues	Budget Authority	Outlays	Deficit
1998	\$1601.8	\$1702.0	\$1692.3	\$90.5
1999	\$1664.2	\$1766.5	\$1753.9	\$89.7
2000	\$1728.2	\$1825.4	\$1811.2	\$83.0
2001	\$1805.2	\$1874.2	\$1858.5	\$53.3
2002	\$1890.4	\$1921.3	\$1889.0	\$-1.4 (surplus)

In addition to overall totals, budget resolutions contain totals for broad function categories. They do not dictate the amounts to

(See other side)

YEAS (78)				NAYS (22)		NOT VOTING (0)	
Republican (41 or 75%)		Democrats (37 or 82%)		Republicans (14 or 25%)	Democrats (8 or 18%)	Republicans (0)	Democrats (0)
Abraham	Hutchison	Akaka	Harkin	Allard	Bumpers		
Bennett	Jeffords	Baucus	Inouye	Ashcroft	Hollings		
Bond	Kempthorne	Biden	Johnson	Coats	Kennedy		
Brownback	Lott	Bingaman	Kerrey	Enzi	Kerry		
Burns	Lugar	Boxer	Kohl	Faircloth	Moynihan		
Campbell	Mack	Breaux	Landrieu	Gramm	Reed		
Chafee	McCain	Bryan	Lautenberg	Grams	Sarbanes		
Cochran	McConnell	Byrd	Leahy	Helms	Wellstone		
Collins	Murkowski	Cleland	Levin	Inhofe			
Coverdell	Nickles	Conrad	Lieberman	Kyl			
Craig	Roberts	Daschle	Mikulski	Smith, Bob			
D'Amato	Roth	Dodd	Moseley-Braun	Specter			
DeWine	Santorum	Dorgan	Murray	Thomas			
Domenici	Sessions	Durbin	Reid	Thompson			
Frist	Shelby	Feingold	Robb				
Gorton	Smith, Gordon	Feinstein	Rockefeller				
Grassley	Snowe	Ford	Torricelli				
Gregg	Stevens	Glenn	Wyden				
Hagel	Thurmond	Graham					
Hatch	Warner						
Hutchinson							

EXPLANATION OF ABSENCE:

- 1—Official Business
- 2—Necessarily Absent
- 3—Illness
- 4—Other

SYMBOLS:

- AY—Announced Yea
- AN—Announced Nay
- PY—Paired Yea
- PN—Paired Nay

be spent on specific programs, but they are based on assumptions of spending levels. Those spending levels may be based in part on assumed changes to current law. Additionally, revenue assumptions may be made based upon assumed changes to current law. Reconciliation instructions in a budget resolution direct authorizing committees to suggest changes to direct (mandatory) spending and revenues in order to meet the assumed revenue and spending levels. In this case, two reconciliation bills will be considered. The Senate will first consider a bill with spending changes. The first bill will contain an increase in the debt limit to \$5.950 trillion (the debt is not expected to reach that level until December 15, 1999). It will then consider a bill with tax relief changes. Recommendations for the first bill will be made by June 20, 1997 and recommendations for the second bill will be made by June 27, 1997. Key assumptions on which the totals in this resolution are based are listed below.

- Tax relief (for related debate, see vote Nos. 74, 77, 81-82, and 90): gross tax relief of \$135 billion and net tax relief of \$85 billion over 5 years will be provided (the difference primarily will be due to the extension of expiring aviation taxes; alternative means of collecting aviation taxes may be enacted); net tax relief of \$250 billion over 10 years will be provided; the tax relief will be used to pay for a \$500 increase in the child tax credit, capital gains tax reform, estate tax reform, Investment Retirement Account (IRA) expansion, and at least \$35 billion in tax credits for higher education over 5 years; all tax relief changes will be permanent.

- Medicare: the rate of growth in Medicare spending will be slowed to twice the rate of inflation (6 percent), which will result in savings of \$115 billion over 5 years and \$434.2 billion over 10 years; the changes will make the Part A Trust Fund solvent for 10 years (it is currently projected to be bankrupt by 2001); assumed changes include the following: the home health care program will be transferred from Part A of Medicare to Part B; the Part B premium will remain at 25 percent of program costs; the effect on the premium of adding home health care costs to Part B costs will be phased in over 7 years; beneficiaries will be given more choices among competing health plans, such as provider sponsored organizations and preferred provider organizations; medical savings accounts will not be ruled out as an option; changes will be made to payment methodologies that will reduce payments to physicians and others; new health benefits will be authorized; and per-beneficiary expenditures will rise from \$5,480 in 1997 to \$6,911 in 2002.

- Medicaid: the rate of growth in the Medicaid program will be slowed for 5-year savings of \$13.6 billion and 10-year savings of \$65.5 billion (outlay growth will average 6.9 percent annually instead of 7.8 percent); assumed changes include reductions in disproportionate share hospital (DSH) payments and do not include new spending for children, legal immigrants, or veterans.

- \$26.5 billion will be raised over 5 years from spectrum auctions, with \$14.9 billion of that amount in FY 2002 (this revenue will be scored as mandatory savings).

- \$13.6 billion will be saved from lower debt service payments.

- President Clinton's mandatory program initiatives: \$31.2 billion will be spent on domestic mandatory spending initiatives over 5 years including: \$16 billion to provide health care coverage for up to 5 million children currently without coverage (see vote No. 75; for related debate, see vote No. 76); \$9.7 billion to provide Supplemental Security Income and Medicaid welfare benefits to legal immigrants who entered the country before the passage of the welfare reform bill and who are disabled or who become disabled; \$4.5 billion for additional nutritional and welfare-to-work assistance; and \$1 billion for toxic waste cleanup.

- Defense discretionary spending: outlays for defense will be \$5 billion higher over the next 5 years than projected in last year's budget resolution.

- Nondefense discretionary spending (NDD; for related debate, see vote Nos. 72, 74, 78-79, and 91): not counting the \$35 billion higher cost of renewing expiring section 8 low-income housing contracts in the next 5 years (see HUD section 8 housing below), NDD spending will increase just \$35 billion over a nominal freeze the next 5 years (an annual rate of one-half of 1 percent, compared to a 6 percent average rate for the past 10 years); this \$35 billion will include an \$8.6 billion increase in transportation spending (\$8.7 billion more than requested; see vote Nos. 80 and 84); vouchers will be provided to low-income children in dangerous schools to allow them to attend the schools of their choice (see vote No. 89); in real terms (taking into account inflation), NDD will fall every year for the next 5 years;

- President Clinton's domestic discretionary program priorities: the President, in negotiations, asked that Congress commit to funding 40 existing programs at the level of funding he requested; congressional negotiators acceded to that request for just 13 of those programs, including: Head Start, the Violent Crime Reduction Trust Fund, the National Institutes of Standards and Technology; Pell Grants (the maximum award amount will be increased to \$3,000); and the EPA Operating Program; programs which did not receive protected status as requested include: the Legal Services Corporation, the National Endowment for the Arts; AmeriCorps; family planning programs, and the Occupational Safety and Health Administration (OSHA).

- Section 8 Housing and Urban Development (HUD) housing: section 8 low-income housing originally was funded through multi-year contracts as long as 20 years; the budget authority for those contracts was provided in the first year, and the outlays occurred over the lives of the contracts; starting in the 1980s, the length of those contracts gradually shortened; by the early 1990s, they were being renewed at only 2 or 3 year increments; currently they are only being renewed for 1-year terms, and it is expected that from now on only 1-year contracts will be entered into; in the 1993 reconciliation bill's statutory caps and in subsequent year budget resolution caps budget authority and outlay limits assumed the renewal of expiring contracts; this resolution increases budget authority to accommodate the substantial increase needed to renew expiring section 8 housing contracts for each of the next 5 years (the increase is due to the fact that a large number of both long-term contracts and more recent short-term contracts are coming up

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for renewal in those years); that increase in budget authority will not affect outlay rates; the outlay caps will also be increased, though, in order to spend \$35 billion more on section 8 housing over 5 years than the amount that would have been spent had section 8 budget authority stayed at its FY 1997 level (as already noted, if BA were kept at that level large numbers of the contracts up for renewal could not be renewed; if they were not renewed, outlays would decline substantially below their nominal FY 1997 level; roughly \$25 billion of that increase is just to keep section 8 housing at its current nominal outlay level of \$16 billion annually, and the remainder is the amount necessary to keep pace with inflation, thereby preserving the existing number of low-income housing units).

Budget procedures:

- Separate spending caps will be set for discretionary defense spending and other discretionary spending; the point of order between transferring funds between defense and nondefense spending will be retained, which will be waivable by a three-fifths majority (60) vote.

- Spending caps will be set by statute in the first reconciliation bill, and the current-law sequester enforcement mechanism that operates in the event those caps are breached will also be extended (sequesters apply only to statutory spending caps; budget resolution caps operate as internal congressional rules; the Senate has always required a three-fifths majority vote to exceed a budget resolution cap; statutory limits on spending have been passed twice, in the 1990 budget agreement and in the 1993 reconciliation bill; those caps have not been breached until this year; the breach this year is by about \$9 billion due primarily to a mistake in estimating defense outlay rates; a sequester will not apply because a new statutory limit will be set in the first reconciliation bill).

- "Pay-as-your-go", or "PAYGO," procedures will be extended to 2002 (those procedures require new mandatory and entitlement spending and tax cuts to be offset by other permanent law changes to make them deficit-neutral).

- Reserve funds (reserve funds in budget resolutions can be used to authorize new entitlement programs without being subject to 60-vote points of order): an environmental reserve fund will be authorized to allow legislation for \$1 billion in new mandatory spending for cleanup of Superfund hazardous waste sites; an intercity passenger rail reserve fund will be authorized to allow passage of legislation providing deficit-neutral, mandatory spending for passenger rail service; a mass transit reserve fund will be authorized to allow passage of legislation providing deficit-neutral, mandatory spending for mass transit; and a reserve fund for deficit-neutral early childhood development programs will be authorized.

The resolution contains 40 sense-of-the-Senate and sense-of-the-Congress provisions, including the following:

- National Institutes of Health funding should be doubled in the next 5 years and increased by \$2 billion this year (see vote No. 78);

- the 4.3 cent per gallon portion of the gas tax that is currently being diverted to general revenues should be put in the highway trust fund instead (see vote No. 84);

- spending should be reduced by the amount, if any, that revenues expected from spectrum auctions do not materialize (see vote No. 86);

- any revenues that are realized in excess of the estimates in this resolution should be used for deficit reduction and tax relief only (see vote No. 88);

- entitlement reform should be enacted, inflation should be measured accurately, and budget surpluses should be run to prepare for the retirement of the baby boom generation;

- this resolution assumes that health insurance costs for the self-employed will immediately be made 100-percent deductible;

- the Medicare Part A trust fund will be credited for any savings achieved in reconciliation legislation from Part B;

- mandatory spending should be reformed, and should not be allowed to exceed more than 70 percent of the budget; and

- Congress should not authorize any new highway projects.

NOTE: Immediately prior to final passage, the Senate struck all after the enacting clause and substituted in lieu thereof the text of S.Con. Res. 27, as amended.

Those favoring final passage contended:

Economic growth has made this budget possible. The CBO recently revised its revenue estimate upward for the next 5 years by \$225 billion. That estimate strikes some people as being too good to be true, but all other economic forecasters that we have consulted, both public and private, have said that it is still too low. The economy is strong for a variety of reasons. The average current growth, by historical standards, is pretty anemic, but it has been steady since halfway through the Bush Administration and appears to be increasing. A large number of factors are driving the growth. Deficits were halved as soon as the Savings-and-Loan bailout finished under the Bush Administration, allowing more funds to stay in the economy. The Federal Reserve has kept tight control on inflation, increasing investments. Corporate restructuring has led to greater efficiencies, trade has increased due to open policies, and, certainly not least, the growth in the size of the Federal Government has been substantially slowed. Those of us who are Democrats believe perhaps the greatest factor was our willingness to pass a large tax increase in 1993, which we believe was responsible for deficit reduction; those of us who are Republicans believe that the tax increase they passed nearly killed off the economic recovery that was just picking up steam, and that the recovery was only preserved when the Clinton plan to socialize health

care was defeated and Republicans took control of Congress and cut spending. These arguments can go on forever, and will, but the more interesting fact is that the terms of the debate have shifted. Democrats have come around to the Republican view that growth is the best way to get out of deficits. Increase the tax base and no one's taxes need to be increased, and services do not need to be cut (even better, fewer people need services because more people have jobs). Consequently, many Democrats have come to the floor and extolled the virtues of a \$500 child tax credit (suddenly they are not calling it a handout to the rich) and other tax cuts, including a capital gains tax cut, because they know that cuts in taxes stimulate economic growth. The Reagan tax cuts of the 1980s led to huge growth in revenues; deficits resulted only because spending rose faster. This time, with this budget resolution, we will have a different result. We are putting into law strict spending caps. When we get huge growth over the next 5 years as expected, we will be prevented from giving in to the temptation to spend that money and then some. This time, with this budget resolution, we are confident that we will have both economic growth and a balanced budget within 5 years.

Those opposing final passage contended:

Is the CBO's recent reestimate of the amount of revenue that will be collected over the next 5 years accurate? How Senators answer that question should dictate how they vote, because the entire justification for this budget resolution rests on that reestimate. When budget negotiations started this year, CBO estimated that \$339 billion in deficit reduction was needed to get to balance. Three weeks ago it changed that number because it increased its estimate of how much would be collected in taxes by \$225 billion. That announcement broke an impasse that had been reached in the budget negotiations. A series of estimates and assumptions were then made that by themselves talked away the entire deficit without making a single tax or spending change. The CBO's higher revenue took the negotiators two-thirds of the way to their goal; then, the fact that the CBO estimated that balancing the budget by itself would strengthen the economy so much that the deficit would drop by another \$77 billion moved them most of the rest of the way; another helpful little assumption was made that the Bureau of Labor Statistics would change the Consumer Price Index calculation for \$28 billion more in deficit reduction; finally, the negotiators noted that lower deficit spending would result in \$14 billion lower interest payments. By making these assumptions, the negotiators then found that the task of balancing the budget by actually doing something about taxes and spending had become much easier: they only needed to come up with \$9 billion more in savings.

Now, there would be nothing wrong with all of these happy assumptions if the CBO's \$225 billion estimate were valid, but we do not believe that it is. Basically, the CBO has estimated that the economy is going to roar along for 5 years of uninterrupted growth. We hope and pray that it does, but going by past patterns our country is due for a mild economic downturn. The business cycle follows a pretty predictable pattern of growth and recession. We broke out of that pattern in the 1980s when the hugely pro-growth policies of President Reagan pulled most of the world's investment capital into the United States, but otherwise the pattern has been stable. This budget resolution has some pro-growth policies in it, but we do not believe that they are on a sufficient scale to maintain steady, robust growth for 5 years.

Once our colleagues had the CBO's bonus \$225 billion (which we believe will turn out to be a mythical \$225 billion) they started making compromises based on their assumption that they could talk the deficit down to \$9 billion over 5 years. Republicans agreed to \$34 billion in new discretionary spending and \$31 billion in new mandatory spending; Democrats agreed to a net 5-year tax cut of \$85 billion. Most of the supposed offsets for the new spending and tax cuts will supposedly come from Medicare and Medicaid reforms and spectrum auctions. However, the proposed Medicare and Medicaid reforms are largely the type of price control measures that have been tried before and have always failed, and the spectrum auctions for a variety of reasons appear wildly speculative and unlikely to generate anywhere near the \$26 billion that our colleagues have estimated. In other words, it appears that once the negotiators came up with happy estimates to talk away the deficit, they rewarded themselves with spending increases and tax cuts that they paid for with funny money savings. As has been typical with most of the 5-year plans that have been passed by Congress, all of the rewards come up front, and most of the supposed savings do not materialize until years 4 and 5 of the resolution.

Will this resolution lead to a balanced budget? Maybe. Economic performance is difficult to predict. However, we do not see any reason for optimism. We think that the original amount of deficit reduction that was assumed would be needed is probably much more accurate than the new assumption from the CBO, and we also think that the new spending and the tax cuts in this resolution have not been adequately offset. Basically, we think that it is much more likely that this resolution will run up the debt. This budget appears too good to be true because it is too good to be true. We therefore urge its rejection.